HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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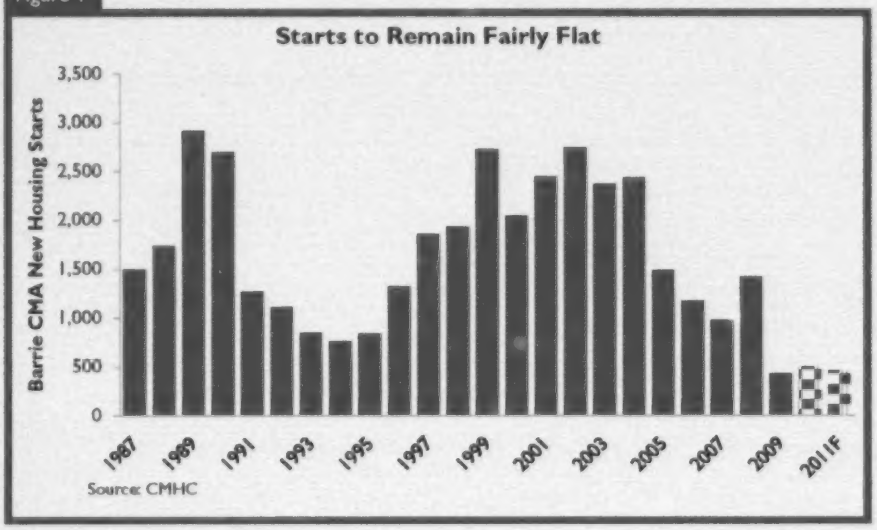
Market at a Glance

- The downward trend in existing home sales and new listings throughout 2010 will reverse by mid-2011, but the subsequent growth will be gradual.
- The resale market will cool, leading to sharply slower price growth in 2011.
- With most housing demand satisfied in the resale market, starts will be much lower in late 2010 and early 2011 before beginning a gradual recovery.

Figure 1



[1] The forecasts included in this document are based on information available as of October 8, 2010.

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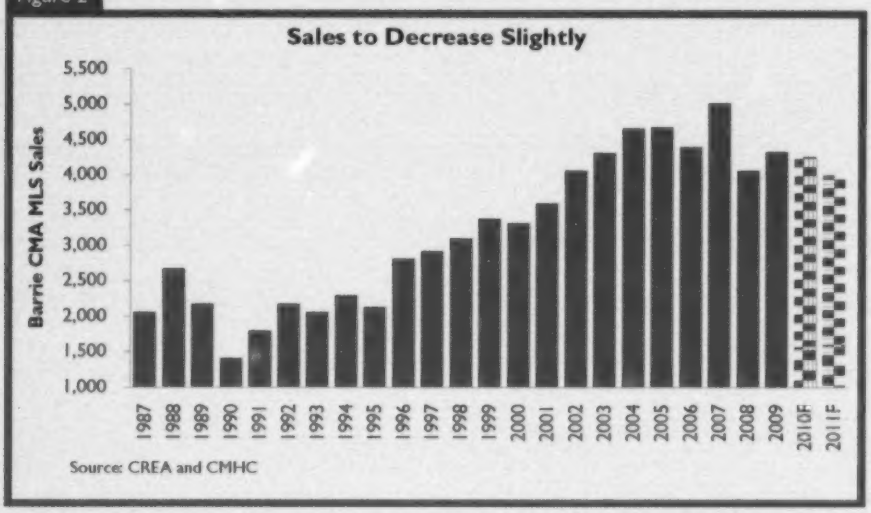
Figure 2



Resale Homes Market

Resale market stabilizes

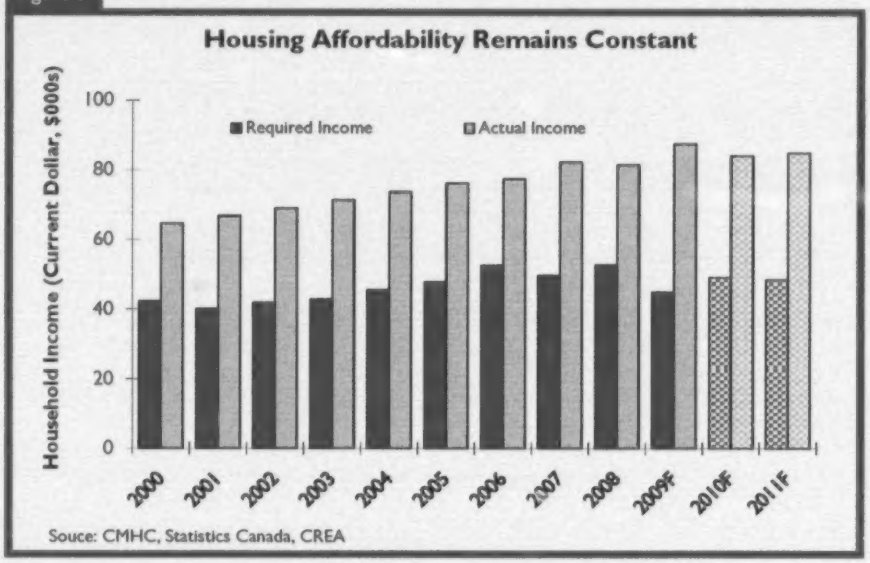
Despite a strong first half, existing home sales in 2010 will come in slightly lower than they were the year before and will slow down further in 2011. After adjusting for seasonal factors, existing home sales moved down in each quarter of 2010 from the peak reached at the end of 2009. They were still quite strong during the spring of 2010 but slowed down particularly during the summer months. The decrease in sales will continue into early 2011. Sales will begin to increase at the end of the first quarter or second quarter of 2011 as the Barrie economy improves.

Many first-time buyers, typically those in the 25-44 age groups, found homeownership attractive in the later part of 2009 and first half of 2010 given the low mortgage rates which translated to lower-than-expected mortgage carrying costs. This depleted the pool of potential buyers, leading to the slow-down in sales. Moreover, given the consensus that mortgage rates would be rising later in 2010, many buyers brought their purchases forward to the early part of the year, another reason for the drop-off in sales in the third quarter.

On average, mortgage rates will be slightly lower in 2011 than in 2010. A small increase in prices will offset most of the impact on mortgage carrying costs, but on average these costs will be still slightly lower in 2011. Consequently, the income required[1] to purchase a home in Barrie will take up a slightly smaller portion of actual incomes in the area. However, despite an improving economy, average wage growth will continue to slow in 2010 and 2011 as many employers take a "wait and see" attitude before hiring in greater numbers and at higher wages. This will have a moderating effect on sales.

A repeat-buyer purchase usually generates a listing, and as the number of repeat buyers increased, so did listings. Price growth was quite strong in early 2010 and this will continue to support listings growth through 2010 and into 2011. However, the pace

Figure 3



[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on the average MLS® price, a10 per cent down payment, the forecast of the posted fixed five-year mortgage rate and the longest amortization period available.

will slow considerably in 2011. With increased supply and lower demand in the second half of 2010 and into 2011 the market will move lower towards a balanced market and away from a seller's market.

The strong increase in average price in 2010 can be attributed to the increased demand - particularly from those aged 25-44 - and also to some extent a compositional shift, with more higher-priced homes exchanging hands. In 2011, price growth will remain positive but well below the rate of inflation. Since many already bought in 2010, there will be fewer buyers from the key 25-44 age group and with slower wage growth, they will look for housing that is more in line with their incomes.

New Homes Market

New home construction will stabilize

New home starts were very strong in the spring and summer of 2010, reflecting a steep recovery from the downturn in 2009. Activity slowed significantly in the third quarter and will stabilize through the end of the year and into 2011. Total starts will increase steadily near the end of the second quarter of 2011, as the economy continues to strengthen and the resale market tightens. Builders will begin providing new stock to the market in response to increasing demand. Despite the recovery in the last half of 2011, total starts will still fall short of the number reached in 2010.

Single-detached starts will account for the majority of starts in 2011. As the year progresses, their share of total starts will steadily increase particularly in the late summer and early fall of 2011. Row homes represented an unusually high share of starts in the third quarter of 2010, but over the course of 2010 and 2011 they will not deviate far from the long-term share of about 12 per cent, given the very strong preference for singles among Barrie home-buyers. No semi-detached starts will occur in 2010 or 2011.

The increased activity during 2010 in the new homes market can be attributed to robust activity in the resale homes market. As demand in that market picked up and the market became tighter, homebuyers decided to buy in the new homes market in higher numbers. Enhanced opportunity to sell in the resale market meant repeat buyers were more able to move up into the new home market. The lower mortgage rates also meant new homes, which tend to have higher prices, were more affordable.

The average price of a new single-detached home in the CMA will grow by just over four per cent in 2010 and remain relatively flat in 2011. In 2010, prices will grow at rates above inflation mainly because an increase in the number of homes in the upper price ranges will pull up the average price. There is unlikely to be a similar shift in the product mix in 2011, and since demand will be growing at only a slow pace, price pressures will be subdued.

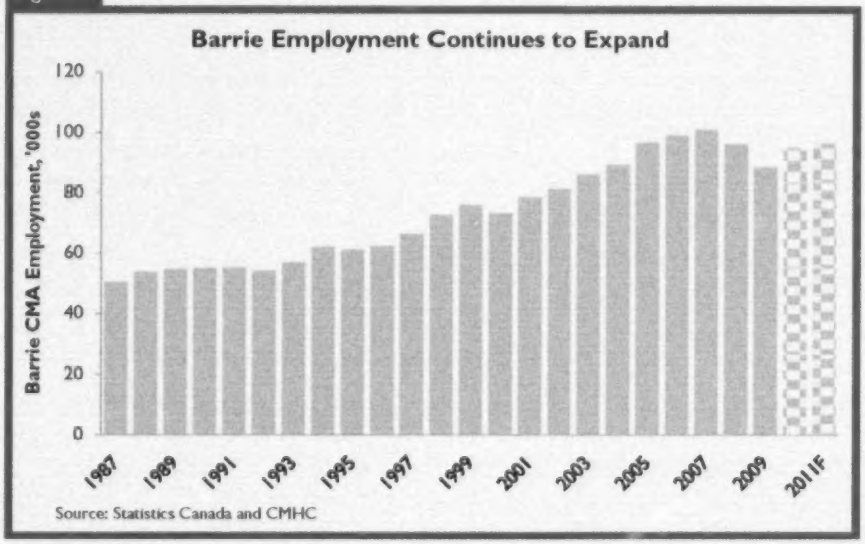
The Economy

Barrie's economy continues to expand cautiously

After expanding continuously throughout the year, employment levels will nearly reach pre-recession levels by the end of 2010. In 2011, employment will continue to increase but at a much more modest pace.

Part-time employment was relatively unaffected by the downturn. Full-time employment is recovering, particularly for the 25-44 age group. This group is considerably larger than either the younger or older groups. The increased employment for this group occurred despite a slight decline in

Figure 4



the population of this age in Barrie in 2010. The group will begin to grow again in 2011, so although employment growth will slow, the number of potential first-time buyers will be increasing again.

The recovery in Barrie CMA is being led by the services sector. Although services sector wages, on average, do match those in the goods-producing sector, the industries within the services sector showing the most strength (for example, business services, finance and health care) have relatively high wages. Wage growth is not strong and is not expected to accelerate in 2011, but the relatively high wages and strengthening employment will support the gradual growth in housing demand forecast for 2011.

The improving employment prospects encouraged more people to look for work so the labour force grew considerably in 2010. However, the growth did not match that of employment, leading to some decline in the unemployment rate. This pattern will continue in 2011, with unemployment falling modestly. Whereas in the past few years migration helped push the labour force higher, in 2010 and 2011 migration into the Barrie CMA will be more restrained. Indeed, population gains from migration fell to the lowest level in more than 10 years in 2010 and only a modest pick-up is expected for 2011. The increased labour force in 2010 and 2011 will come mainly from local residents re-entering the workforce or local residents entering the workforce for the first time (i.e., someone coming out of school or trade school).

Mortgage rate outlook

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast Summary Barrie CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	5,017	4,058	4,326	4,250	-1.8	4,000	-5.9
MLS® New Listings	7,871	8,212	7,502	8,000	6.6	8,150	1.9
MLS® Average Price ($)	258,999	264,034	263,959	277,000	4.9	279,000	0.7
New Home Market							
Starts:							
Single-Detached	746	858	292	360	23.3	330	-8.3
Multiples	234	558	135	140	3.7	130	-7.1
Semi-Detached	14	12	0	0	n/a	0	n/a
Row/Townhouse	127	170	0	70	n/a	60	-14.3
Apartments	93	376	135	70	-48.1	70	0.0
Starts - Total	980	1,416	427	500	17.1	460	-8.0
Average Price ($):							
Single-Detached	329,505	358,841	431,237	450,000	4.4	451,500	0.3
New Housing Price Index (% chg.) (Ontario)	2.6	3.5	0.1	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	3.2	3.5	3.8	3.9	-	3.7	-
Two-bedroom Average Rent (October) ($)	934	954	961	975	1.5	977	0.2
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	100,800	95,700	88,500	95,000	7.3	96,500	1.6
Employment Growth (%)	1.4	-5.1	-7.5	7.3	-	1.6	-
Unemployment rate (%)	5.0	5.5	9.4	8.7	-	8.5	-
Net Migration	1,567	1,752	1,712	1,400	-18.2	1,500	7.1

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

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